

Source: Atradius

Industry performance

Changes since January 2021 · Sources: Atradius, Oxford Economics

Agriculture



Remains Fair

Agriculture is impacted by tighter environmental regulations and low sales prices due to high pressure from processors and retailers. As a result of the coronavirus outbreak, the sector was additionally affected by the first lockdown in 2020 (e.g. lack of foreign seasonal workers and/or additional costs caused by tighter health care regulations for said workers). Additionally, the third dry summer in a row negatively affected the crop harvest, which has hurt farmers with livestock breeding (shortage and/or higher prices for animal feed). Agriculture value added is forecast to level off in 2021, after a 0.6% contraction last year.

Automotive/Transport



Up from Poor to Fair

In 2020 automotive producers and suppliers suffered from globally deteriorating sales for passenger cars and commercial vehicles, which has led to severe liquidity strains and cash shortfalls. Margins were already under pressure before the coronavirus outbreak, due to disappointing sales in 2019 and increased investment intended to cope with the shift away from combustion engines and towards e-mobility. Automotive value added contracted 25% last year.

Sales and production have started to rebound, but still remain below pre-pandemic levels. Temporary production disruptions caused by semiconductor shortages have slowed down the pace of recovery in H1 of 2021. However, it is expected that sales and production will gain momentum in H2 of 2021, and automotive value added is forecast to record annual growth of 13% in 2021 and in 2022. German automotive activity should reach its pre-pandemic Q4 2019 level of value-added output in mid-2022.

The industry is forecast to rebound by about 17% in 2021. While government support and loans had a positive impact on businesses' liquidity, these loans are usually short-term and require linear repayment, which means that businesses have to hold available liquidity at short notice.

In the transport industry, many businesses benefit from the ongoing rebound of industrial production and increased e-commerce. However, transport businesses with a focus on end-customers in the events/fair trades or brick-and-mortar retail sectors are facing elevated credit risk.

Chemicals /Pharmaceuticals



Remains Fair

Compared to their peers in other sectors, chemicals and pharmaceutical businesses have weathered the repercussion of the pandemic well. Most businesses remain financially resilient, and the credit risk situation remains benign. Chemicals/Pharmaceuticals turnover increased 3.6% quarter-on-quarter in Q1 of 2021. Chemicals value added is forecast to rebound 7% in 2021 after a 2.9% contraction in 2020, benefitting from the global manufacturing rebound. Pharmaceuticals value added is forecast to grow 4.5% this year.

Construction/ Construction Materials

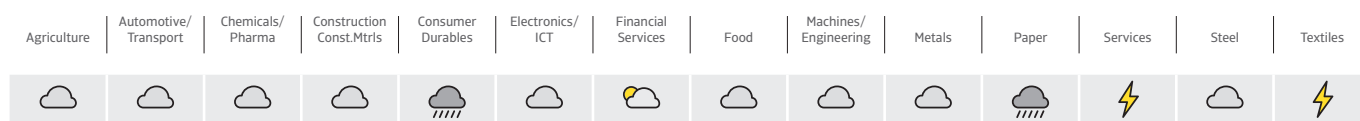


Remains Fair

The industry remained relatively unaffected by the worst impacts of the pandemic, and value added increased 2.8% in 2020. In the construction materials sector, increased household activity in refurbishing, modernising and expanding homes resulted in notable increases in turnover for the building trade, timber trade and DIY segments.

Residential construction activity will remain the main driver of growth. However, the performance of the industrial/commercial construction segment remains muted, due to lower business investment in commercial, retail and office building.

Construction and construction materials businesses are currently impacted by a scarcity of building materials (e.g. reinforcing steel, insulation materials, wood), with difficulties in passing on higher purchase prices for those items to end-customers. Due to the material shortage, the risk of project delays has increased, and construction value added is expected to grow less than 2% in 2021.



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Consumer Durables



Remains Poor

Digital transformation poses a major challenge for the sector, as changing consumer behaviour is increasingly putting stationary retailers under pressure. In 2020 private consumption of non-food consumer goods showed inconsistent development in the various segments. While sales of furnishings, household appliances and building supplies developed well, sales of textiles, clothing, shoes and leather goods deteriorated steeply.

Smaller brick-and-mortar retailers, which are less competitive and, in turn, less economically stable, are in particular need of fiscal support to survive the current pandemic. So far, no increased payment difficulties have been observed, but the impact of the second lockdown remains to be seen. Currently, retail sales growth is expected to grow 1% in 2021 after a small 0.1% decrease in 2020.

Electronics/ICT



Remains Fair

The credit risk of ICT businesses remains moderate, with a relatively stable business performance. In H1 of 2020 sales deteriorated due to the temporary closure of businesses resulting from the lockdown, and supply chain disruptions had an additional negative impact. However, spending from businesses, employees and schools on digital goods and services has increased since then, due to the sharp rise of remote working and digital learning. ICT value added is forecast to grow by 2.5% in 2021.

Financial services



Remains Good

The sector remains relatively robust, and finance value added is forecast to level off in 2021.

Food



Remains Fair

The German food retail market is the most competitive in Europe, with low market prices due to the overwhelming power of the leading food retailers and discounters. With food processing companies and retailers demanding longer payment terms from their immediate suppliers to improve their working capital, a wave of longer payment terms is being created along the whole supply chain. Currently increased commodity prices are an issue for food businesses.

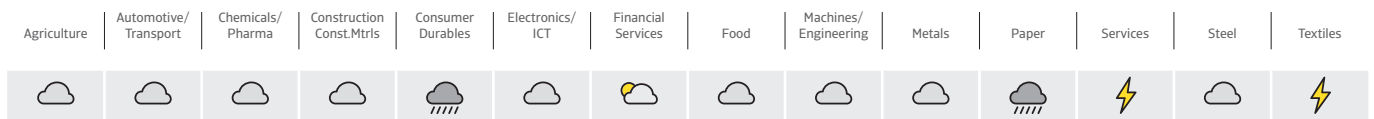
Food producers and processors supplying hotels, restaurants, canteens, catering, etc. have been severely affected by lockdown measures. On the contrary, suppliers to the food retail sector have been generally less affected, sometimes even benefitting. The meat processing industry is affected by new legal requirements regarding the employment of temporary workers. Food value added is expected to increase by about 1% in 2021.

Machines/Engineering



Up from Poor to Fair

The highly export-dependent Germany machinery sector suffered from deteriorated global demand in 2020, with a major decrease in sales (down 12%) and production (down 14%). A rebound is underway since end-of 2020, and businesses' order books have filled again. Engineering value added is expected to increase by 12% this year. However, machinery exporters and businesses with overseas branches are still affected by pandemic-related issues (e.g. travel restrictions for staff), while the outlook for printing machines remains subdued.



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Metals



Up from Poor to Fair

After a weak performance in 2019, with overcapacities, fierce competition and high pressure on margins, the situation in 2020 for the metals sector further worsened due to the economic downturn triggered by the coronavirus pandemic. Many businesses recorded weak results, strained liquidity and high gearing. Mainly affected were small and medium-sized businesses, particularly automotive suppliers and foundries, while companies with customers in the construction sector were less impacted.

However, since Q3 of 2020, orders and sales have rebounded, and the liquidity situation of most businesses is either stable or good. Metal producers currently benefit from higher sales prices due to increasing demand and shortages of supply. Metal manufacturing value added is forecast to rebound by about 11% in 2021, after a 12.8% contraction last year.

year. Currently, services value added is forecast to rebound only 0.5% this year, after a 5% contraction in 2020. The hotel and catering segment will recover 15% in 2021, but suffered a whopping 35.5% contraction last year.

Steel



Up from Poor to Fair

In H1 of 2020, sales and business results deteriorated sharply due to the economic downturn triggered by the coronavirus pandemic. Steel businesses adjusted their capacities accordingly, and as demand increased again and production capacities were not sufficient, steel prices increased significantly. Orders and sales have rebounded since Q3 of 2020, and the liquidity situation of most businesses is either stable or good. Steel producers continue to benefit from higher sales prices due to shortages of steel supply. Currently steel value added is forecast to rebound 16% in 2021, after a contraction by the same number in 2020. However, businesses in the pipe manufacturing subsector, along with smaller automotive suppliers that do not benefit from the current car demand surge in the Chinese and US markets, still face elevated credit risks.

Paper



Remains Poor

Paper producers and downstream industries, such as paper wholesalers, have been particularly impacted by less demand due to lockdown measures and the ongoing digitalization. The performance of the publishing and printing segment, which already suffered before the pandemic from ongoing consolidation and decreasing demand, deteriorated further in 2020. In contrast, producers of packaging paper benefit from increased demand from e-commerce and food retailing. Overall, value added of the paper industry is estimated to rebound by about 3% in 2021 after a 5.7% contraction in 2020. It is expected that payment delays and insolvencies will increase in H2 of 2021, mainly in the printing subsector and related segments.

Textiles



Remains Bleak

Textile value added is forecast to rebound only 4.5% in 2021 after a 10.1% contraction in 2020. Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins, and have been additionally impacted by deteriorating sales due to the lockdowns. Despite the easing of restrictions, stock value is still high and cannot be easily sold (online textile retail accounts for only a fraction of normal sales value). This will trigger liquidity issues for many businesses, and rising insolvencies as well as a comprehensive market consolidation are expected.

Services



Remains Bleak

Due to the lockdown measures, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, fairs, airports, bus cruises, tourism, travel agencies and tour operators. It cannot be ruled out that payment delays and insolvencies will sharply increase in H2 of 2021 and in 2022, as the suspension of the obligation to file for insolvency has expired in April 2021. Another reason could be the abatement or expiry of stimulus measures towards the end of the